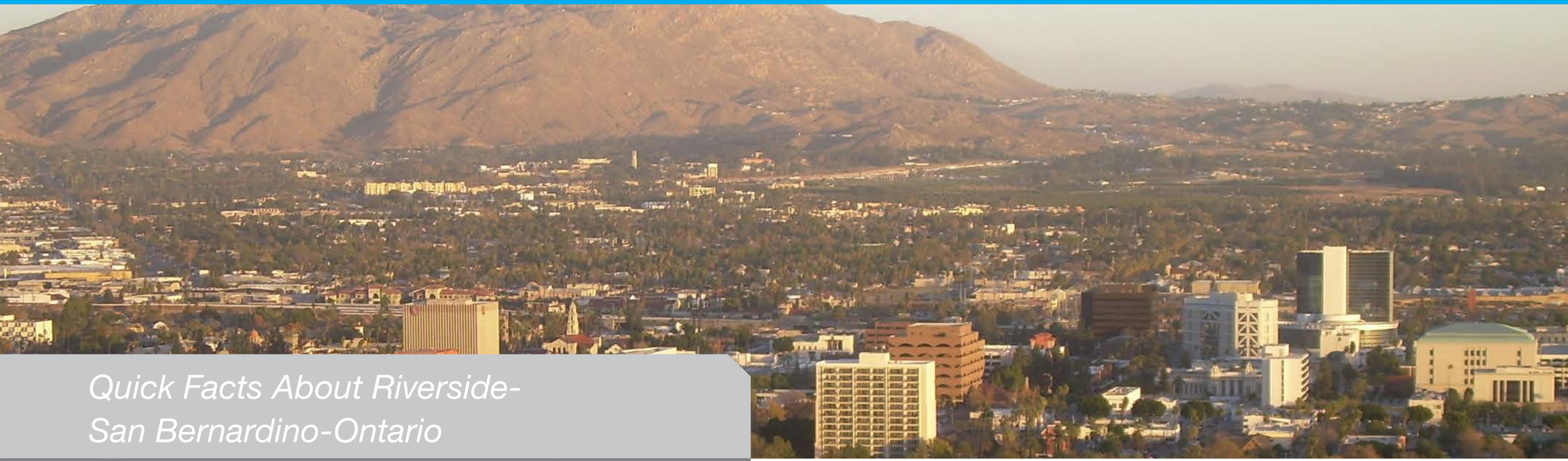
HUD PD&R **Housing Market Profiles**

Riverside-San Bernardino-Ontario, California



Quick Facts About Riverside-San Bernardino-Ontario

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: tight.**
- **The metropolitan area encompasses more than 27,400 square miles, which includes San Bernardino County, the largest county in the nation in terms of land area. The amount of available land and proximity to the ports of Los Angeles and Long Beach has helped transform the metropolitan area into a regional center for the logistics industry. The metropolitan area is home to the largest concentration of distribution centers on the west coast, with more than 510 million square feet of industrial space and 145 distribution centers.**

By Wendy Ip | As of December 1, 2016

Overview

The Riverside-San Bernardino-Ontario (hereafter, Riverside-San Bernardino) metropolitan area is conterminous with Riverside and San Bernardino Counties in southern California. The metropolitan area is the second most-populous area in southern California and ninth most-populous in the nation. For the past 30 years, growth at the ports of Los Angeles and Long Beach has supported the metropolitan area's logistics industry, which has become increasingly prominent after the Great Recession and the rise in e-commerce. The logistics industry had an economic impact of $6.5 billion in the metropolitan area in 2015, up from a peak of $4.2 billion in 2007 (Los Angeles Economic Development Corporation).

- As of December 1, 2016, the estimated population of the Riverside-San Bernardino metropolitan area is 4.52 million, an average increase of 46,400, or 1.1 percent, annually since 2007. Population growth has not fully recovered from the sales housing market contraction and Great Recession of the late 2000s despite year-over-year job gains since 2011. Net in-migration to the metropolitan area has averaged of 10,300 people since 2007.
- Before 2007, relatively low home sales prices and lenient lending standards contributed to a surge in migration from neighboring counties. Net in-migration averaged 80,100 people a year from 2000 to 2007, resulting in net population growth averaging 115,500 people, or 3.2 percent.

Six sectors in the Riverside-San Bernardino area grew more than 2 percent during the 3 months ending November 2016.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,368.1	1,398.7	30.6	2.2
Goods-producing sectors	186.8	191.4	4.6	2.5
Mining, logging, and construction	90.6	92.9	2.3	2.5
Manufacturing	96.1	98.4	2.3	2.4
Service-providing sectors	1,181.3	1,207.4	26.1	2.2
Wholesale and retail trade	239.5	242.2	2.7	1.1
Transportation and utilities	102.1	106.9	4.8	4.7
Information	11.2	11.4	0.2	1.8
Financial activities	43.6	43.5	– 0.1	– 0.2
Professional and business services	145.3	144.8	– 0.5	– 0.3
Education and health services	208.6	215.8	7.2	3.5
Leisure and hospitality	151.5	151.1	– 0.4	– 0.3
Other services	44.0	46.1	2.1	4.8
Government	235.4	245.6	10.2	4.3
	(percent)	(percent)		
Unemployment rate	6.3	5.9		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

Economic conditions have strengthened in the Riverside-San Bernardino metropolitan area since 2011. Nonfarm payroll growth has averaged 3.7 percent annually since 2011, greater than in the Pacific region and the nation, which were up an average of 2.6 and 1.8 percent, respectively, a year. Payroll growth in the metropolitan area, however, remains less than during the period from 2000 through 2007, when jobs increased an average of 3.9 percent annually.

During the 3 months ending November 2016—

- Nonfarm payrolls averaged 1.40 million jobs, an increase of 30,600 jobs, or 2.2 percent, compared with the number of jobs during the same 3-month period in 2015, resulting from growth in 7 of the 11 sectors.
- The most significant gains were in the government, education and health services, and transportation and utilities sectors, which increased by 10,200, 7,200, and 4,800 jobs, or 4.3, 3.5, and 4.7 percent, respectively, from the 3 months ending November 2015.
- More than 80 percent of the increase in the government sector was attributed to growth in the local government subsector, which increased by 8,300 jobs, or 4.5 percent. Part of the increase resulted from nearly 800 jobs added by the County of

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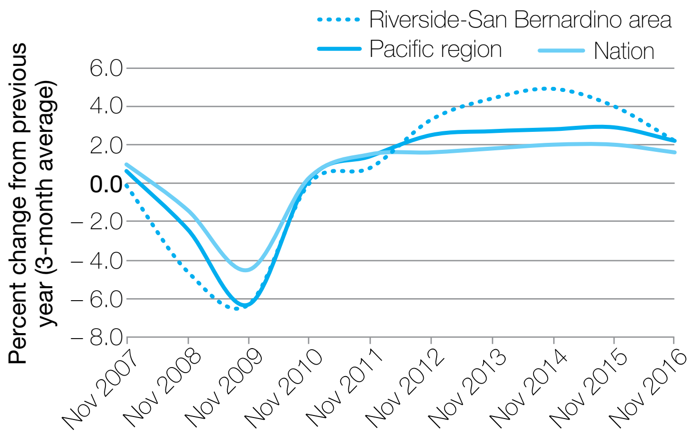
Since 2012, nonfarm payrolls in the Riverside-San Bernardino area have increased at a similar rate as in the Pacific region but at a higher rate than the national rate.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Riverside-San Bernardino area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
County of Riverside	Government	22,000
Arrowhead Regional Medical Center	Education and health services	18,000
Stater Bros. Markets	Wholesale and retail trade	18,000

Note: Excludes local school districts.
Sources: Riverside County Economic Development Agency; San Bernardino County Economic Development Agency

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Riverside, the largest employer in the metropolitan area, with jobs added ranging from community planning to health services.

- The health care and social assistance industry increased by 6,000 jobs, or 3.1 percent. Kaiser Permanente®, Maxim Healthcare Services, and Dignity Health have added a combined 410 jobs since early 2016 in response to increased demand for health services.
- The increase in the transportation and utilities sector was nearly the entire result of a 4,700-job, or 4.9-percent, gain in the transportation and warehousing industry. The opening of a QVC distribution facility in mid-2016 contributed to job gains; employment at the facility is expected to reach 500 jobs by 2018.
- Job losses occurred in the professional and business services, leisure and hospitality, and financial activities sectors, which decreased by 500, 400, and 100 jobs, or 0.3, 0.3, and 0.2 percent, respectively, from the 3 months ending November 2015. The net decline in jobs in these sectors partly resulted from a combined 950 layoffs at Adecco USA, Inc., Levy Restaurants, and Collection Technology, Inc.
- The average unemployment rate decreased to 5.9 percent compared with the rate of 6.3 percent during the 3-month period ending November 2015.

The transportation and utilities sector has benefited from increased activity at the ports of Los Angeles and Long Beach, where trade volume rose to $450 billion during 2015 (the most recent data available), up by an average of more than $19 billion, or 4.8 percent, annually from 2011 (Los Angeles Economic Development Corporation). Approximately 40 percent of trade volume goes through the Riverside-San Bernardino metropolitan area. The rise in trade volume has contributed to a gain of 6,500 jobs, or 8.3 percent, annually in the transportation and warehousing industry in the metropolitan area since 2011, with payrolls during the 3 months ending November 2016 more than double the level in 2000. Part of the growth was attributed to the opening of two Amazon.com, Inc., distribution centers since 2011, adding 2,500 jobs to the transportation and utilities sector, and plans exist to open a third distribution center by 2019, which would add 700 jobs.

Sales Market Conditions

The sales housing market in the Riverside-San Bernardino metropolitan area currently is balanced, with an estimated sales vacancy rate of 2.1 percent, a decrease from 3.5 percent in 2010, when conditions were soft. The balanced vacancy rate tends to be higher in the metropolitan area than elsewhere because of the amount of development that met the housing needs for much of the southern California population. Sales market conditions improved as the inventory of homes for sale declined 37 percent, or by 19,400 homes, from 2010 to November 2016 (CoreLogic, Inc.). The number of homes held off the market decreased 20 percent, or by 2,575 homes, during the same period. The metropolitan area was among the hardest hit in the nation from the sales market contraction during the late 2000s. Repeat home sales prices in the metropolitan area rose and fell more than in the rest of the nation, dropping 50 percent from a peak in 2006 to a low in 2011 compared with a 25-percent decline for the nation (CoreLogic, Inc.). Home prices in the metropolitan area have stabilized since 2011. During the 12 months ending November 2016, new home sales and prices (including single-family homes, townhomes, and condominiums) increased from a year ago as economic conditions strenthened. Existing home sales and prices also increased from a year ago. As sales market conditions improved, the percentage of home loans in the Riverside-San Bernardino metropolitan area that were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status declined from 2.5 percent in November 2015 to 2.0 percent in November 2016 (CoreLogic, Inc.). The current rate is higher than the 1.3-percent rate for California but less than the 2.6-percent rate for the nation.

During the 12 months ending November 2016—

- Despite rising mortgage interest rates and an increase in new home sales prices, new home sales increased to 7,275 homes sold, up 7 percent from the 12 months ending November 2015. New home sales are 88 percent higher than a low of 3,875 homes sold during 2011 but remain down 63 percent from a high of 19,650 homes sold during 2007 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).
- Existing home sales totaled 60,350, an increase of 1 percent from the 12-month period ending November 2015. The current total is similar to an average of 60,650 homes sold annually from 2011 through 2014 but down 22 percent from a high of 77,200 homes sold during 2009, a period when REO home sales accounted for 71 percent of existing sales. The lower level of existing home sales than in 2009 resulted from a 90-percent reduction in REO sales, or by 49,450 homes, that partly offset the more than 100-percent gain in regular resales, or by 32,600 homes.
- The average sales price for new homes was $452,800, an increase of $21,200, or 5 percent, compared with the average price during the previous year. The average new home sales price remained 1 percent less than the prerecessionary average peak price of $458,600 that prevailed from 2005 through 2007.

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- The average sales price for existing homes was $333,700, an increase of $21,450, or 7 percent, compared with the average price during the 12 months ending November 2015. Existing home prices were less than the average price of $400,400 from 2005 through 2007 but 68 percent higher than the average price of $198,300 during 2009.

Single-family home construction activity, as measured by the number of single-family homes permitted, increased during the 12 months ending November 2016 and has accounted for approximately 40 percent of all residential development in southern California in the past year.

- The number of single-family homes permitted increased to 7,725 compared with 7,425 homes permitted a year earlier (preliminary data).
- Single-family construction activity totaled 16,000 homes permitted during 2007 before declining 70 percent to an average of 4,775 homes a year from 2008 through 2012. Single-family construction activity increased to an average of 7,175 homes permitted a year from 2013 through 2015.

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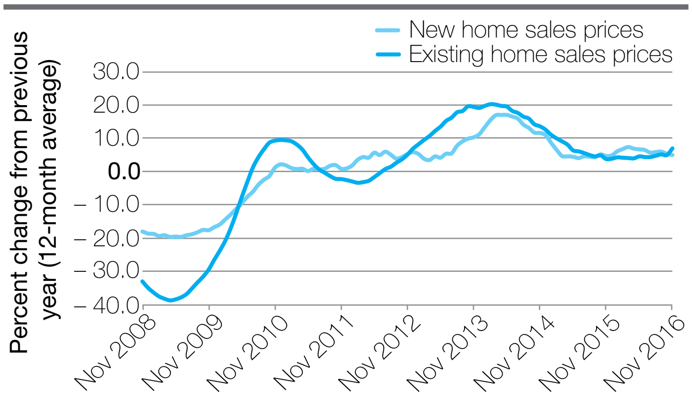
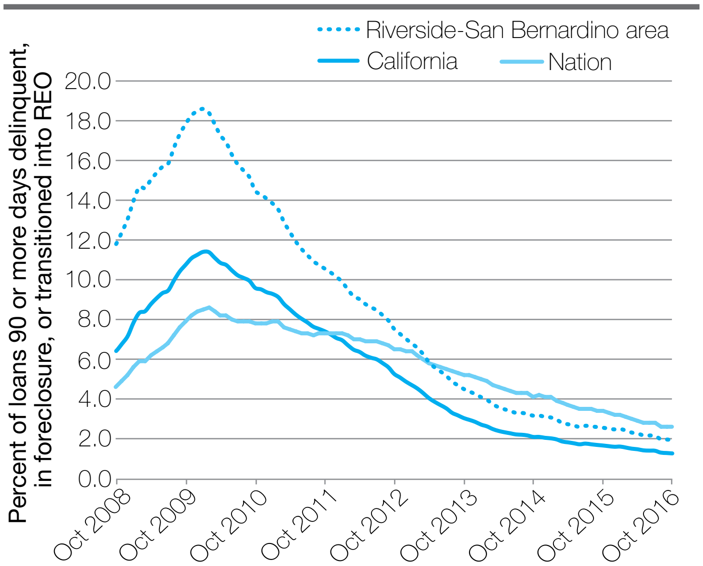
New and existing home sales prices in the Riverside-San Bernardino area have continued increasing but at a more moderate pace since 2015.



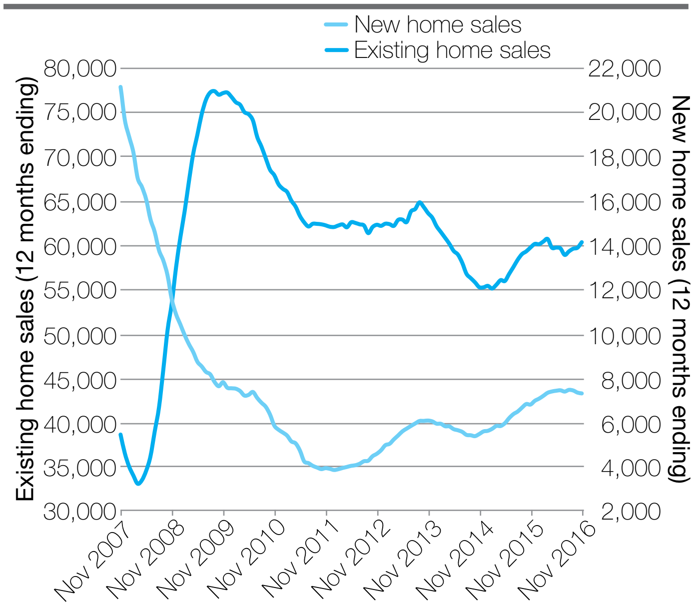
Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The proportion of seriously delinquent loans and REO properties in the Riverside-San Bernardino area has decreased substantially since the late 2000s.



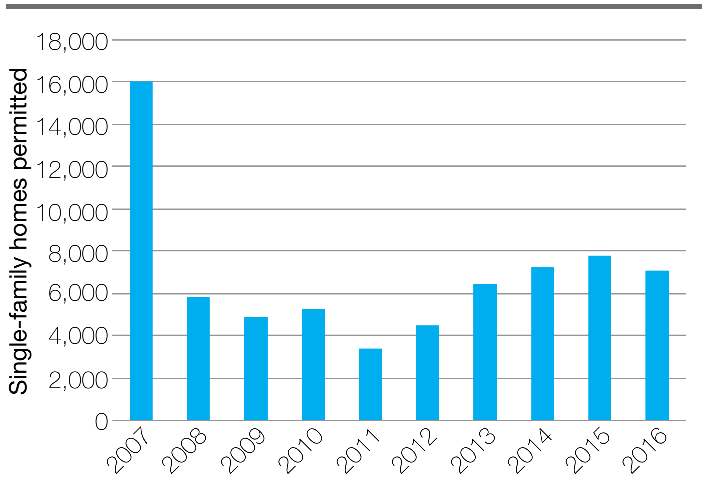
REO = real estate owned.
Source: CoreLogic, Inc.

Home sales in the Riverside-San Bernardino area have moderated since 2010 because of decreases in REO properties and higher interest rates.



REO = real estate owned.
Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Single-family home permitting in the Riverside-San Bernardino area has increased steadily since 2011.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey

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- Notable single-family developments under construction include the master-planned communities of Ontario Ranch, with approximately 10,230 single-family homes at buildout, and Canyon Hills, with approximately 4,000 homes at buildout. At Ontario Ranch, approximately 800 homes have been completed since construction restarted in 2014, with prices starting from the high $200,000s. At Canyon Hills, approximately 200 homes currently are under way, with 2,900 complete. Prices for homes in the Canyon Hills start from the low $300,000s.

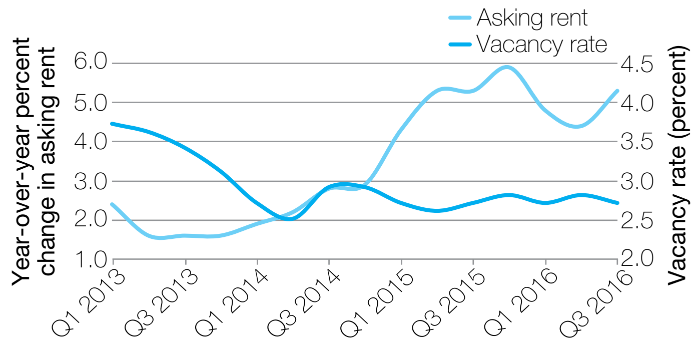
Apartment Market Conditions

The apartment market in the Riverside-San Bernardino metropolitan area currently is tight. The increase in the number of renter households since 2010 has outpaced the construction of new rental units and the conversion of single-family homes to rental use.

- The estimated vacancy rate for all rental units (including renter-occupied single-family homes, manufactured homes, and apartment units) was 5.7 percent as of December 1, 2016, a decrease from 9.1 percent in 2010.
- The apartment market, which represents 45 percent of all rental units, is tight, with a 2.7-percent vacancy rate in the third quarter of 2016, unchanged from a year earlier (Reis, Inc.). Vacancy rates continued to be low despite 2,550 apartments having been completed since the third quarter of 2015. Net in-migration and strong job growth continued to support household growth, and apartment absorption continued at approximately 3,825 units since the third quarter of 2015.
- The average monthly apartment asking rent was $1,245 in the third quarter of 2016, an increase of $63, or 5.3 percent, from the third quarter of 2015.

Multifamily construction activity, as measured by the number of multifamily units permitted, slowed in the past year and remained below precession levels.

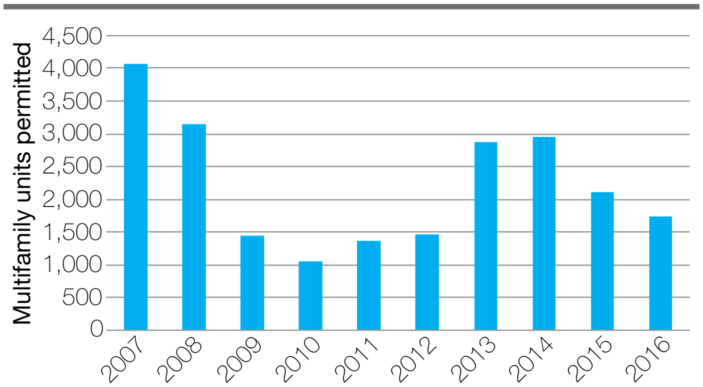
Apartment market conditions in the Riverside-San Bernardino area have been tight, with low vacancy rates and positive rent growth.



Q1 = first quarter. Q3 = third quarter.
Source: Reis, Inc.

- During the 12 months ending November 2016, approximately 1,800 multifamily units were permitted compared with 2,525 units permitted during the same period a year ago (preliminary data).
- Multifamily construction averaged 3,600 units permitted a year during 2007 and 2008 before declining to an average of 1,325 units permitted a year from 2009 through 2012. Multifamily construction activity then doubled to an average of 2,650 units permitted a year from 2013 through 2015. The proportion of renter households increased from 38.1 percent in 2013 to 39.2 percent by 2015, adding approximately 16,250 renter households a year (2012 and 2015 American Community Survey 1-year data).
- Approximately two-thirds of apartments completed in 2016 or currently under construction are in the cities of Corona, Murrieta, and Rancho Cucamonga, which are in close proximity to either Los Angeles, Orange, or northern San Diego Counties. Completions in 2016 include the 467-unit Artisan at Main Street Metro in Corona and the 325-unit Pacific Landing Apartments in Murrieta. Rents at both properties start from $1,450 to $1,550 for one-bedroom units, from $1,625 to $1,800 for two-bedroom units, and from $2,050 to $2,200 for three-bedroom units. The 183-unit Vintner Apartments currently is under way in Rancho Cucamonga and is expected to be complete in the fall of 2017 with rents that have yet to be announced.

Multifamily permitting in the Riverside-San Bernardino area has been greater since 2013 compared with permitting from 2009 through 2012.



Note: Includes preliminary data from January 2016 through November 2016.
Source: U.S. Census Bureau, Building Permits Survey